

Message Text

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ORIGIN TRSE-00

INFO OCT-01 ARA-16 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 COME-00 TAR-02 L-03

CIAE-00 INR-10 NSAE-00 /107 R

DRAFTED BY TREAS:RSELF;EB/OT/STA:TEDEAL:CLJ

APPROVED BY EB/OT/STA:EWKEMPE

TREAS:MMARKS

ARA/NC/C:JMAISTO

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P 032134Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY BOGOTA PRIORITY

INFO AMEMBASSY SANTIAGO PRIORITY

AMCONSUL MEDELLIN

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E.O. 11652: GDS

TAGS: ETRD, CO

SUBJECT: COUNTERVAILING DUTY PROCEEDINGS: SUMMARY OF
DISCUSSIONS ON CUT FLOWERS APRIL 1-2

SANTIAGO PLEASE PASS TO SECRETARY SHULTZ

1. DISCUSSIONS WERE HELD IN UNUSUALLY CORDIAL, FRIENDLY
AND FRANK ATMOSPHERE.

2. COLOMBIANS NOTED THAT EXCISE TAXES AND CUSTOMS DUTIES
ARE PAID ON MANY COMPONENTS GOING INTO CUT FLOWER
PRODUCTION, E.G. FERTILIZER, WATER AND FUEL USED TO KEEP
FLOWERS UNDER CONSTANT TEMPERATURE. THEY ASKED
WHETHER THEY COULD TOTAL THESE PAYMENTS AND DEDUCT THEM
FROM THE AMOUNT SUBJECT TO THE 13 PERCENT CAT CREDIT ON
EXPORTATION, WHICH IS PRIMARILY USED TO PAY CORPORATE
INCOME TAX.

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3. TREASURY REPS INDICATED THAT THIS PRESENTED NOVEL ISSUE NEVER CONFRONTED IN COUNTERVAILING DUTY CASE. HOWEVER, IF COLOMBIANS WERE IN POSITION TO SUBSTANTIATE BY VERIFIED FIGURES INDIRECT TAXES AND DUTIES PAID ON ALL ITEMS WHICH ARE DIRECTLY RELATED TO FLOWER PRODUCTION, AND THESE COULD BE ALLOCATED TO THE PROPORTION OF SUCH PRODUCTS WHICH

IS EXPORTED, TREASURY REPS WOULD BE PREPARED, SUBJECT TO CLEARANCE WITH HIGHER AUTHORITIES, TO TAKE THIS INTO ACCOUNT IN CALCULATING POSSIBLE BOUNTY OR GRANT APPLICABLE. TREASURY REPS EMPHASIZED THAT OVERHEAD EXPENSES AND FIXED COSTS COULD NOT BE REGARDED AS DIRECTLY RELATED EXPENSES IN PRODUCING FLOWERS.

4. COLOMBIANS APPEARED PLEASED WITH THIS RESULT. THEY PROMISED TO GIVE ESTIMATE OF THESE COSTS TO TREASURY BY WEEK OF MAY 1.

5. COLOMBIAN DELEGATION WAS AS FOLLOWS: JAIME BUENO, DIRECTOR GENERAL OF NATIONAL TAXES; FABIO GOMEZ, ADVISOR OF FINANCE MINISTER; DR. RODRIGO ESCOBAR, MINISTER, COLOMBIAN EMBASSY; JAIME LOPEZ-REYES, MINISTER COUNSELOR, COLOMBIAN EMBASSY; JOHN VAUGHAN, CHAIRMAN OF THE BOARD, COLOMBIAN FLOWER ASSN.; CAMILIO SANZ DE SANTAMARIA, MANAGER, COLOMBIAN FLOWER ASSN.; JOHN REHM, LEGAL COUNSEL.

6. FOLLOWING WERE MEMBERS OF U.S. DELEGATION: MATTHEW MARKS, DEPUTY ASSISTANT SECRETARY FOR TARIFF AND TRADE AFFAIRS, TREASURY DEPARTMENT; BEN IRVIN, LYNN BARDEN, AND RICHARD SELF, TREASURY; LOUIS BALABAN AND VINCENT KANE, CUSTOMS SERVICE; JOHN CRAWFORD AND TIMOTHY DEAL, STATE.

7. PARAGRAPHS 2 AND 3 SUMMARIZE SALIENT POINTS IN DISCUSSIONS. MORE COMPLETE RECORD OF DISCUSSIONS FOLLOWS BY AIRGRAM. RUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, COUNTERVAILING DUTIES, PLANTS (FLORA), MEETINGS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE067239
Document Source: CORE
Document Unique ID: 00
Drafter: RSELF;EB/OT/STA:TEDEAL:CLJ
Enclosure: DG ALTERED
Executive Order: N/A
Errors: N/A
Film Number: D740074-1099
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740469/aaaacizz.tel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2002 by martinml>; APPROVED <11-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNTERVAILING DUTY PROCEEDINGS: SUMMARY OF DISCUSSIONS ON CUT FLOWERS APRIL 1-2
TAGS: ETRD, CO, US
To: BOGOTA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005